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**Introduced by Senators Johnson, Karnette, Knight, and Romero**  
(Coauthors: Assembly Members Campbell, Dutton, Haynes, and  
Shirley Horton)

June 26, 2003

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Senate Concurrent Resolution No. 39—Relative to municipal utilities.

LEGISLATIVE COUNSEL'S DIGEST

SCR 39, as introduced, Johnson. Municipal utilities: exit fees.

This measure would direct the Public Utilities Commission to exempt, in its regulations, any municipal utility serving customers in newly developed areas from any exit fees, as long as the municipal utility was formed before June 1, 2003, and demonstrates that it has expended in good faith significant amounts of money and resources toward the creation of a municipal utility serving customers in newly developed areas.

Fiscal committee: yes.

1 WHEREAS, Before September 20, 2001, a handful of  
2 responsible cities took action to invest millions of dollars toward  
3 the planning of a municipal utility, including public hearings,  
4 feasibility studies, detailed economic studies, and the hiring of  
5 legal, technical, and financial experts to demonstrate that the  
6 municipal utility would be economically feasible, as well as  
7 reliable. Moreover, these cities invested hundreds of hours of staff  
8 time towards the development of a municipal utility; and  
9 WHEREAS, Municipal utilities seeking to serve customers in  
10 newly developed areas of their service territory should not be  
11 burdened with exit fees or cost recovery surcharges because no

1 customers existed in those areas before and, therefore, no benefits  
2 were received; and

3 WHEREAS, Long-term contracts executed by the Department  
4 of Water Resources to stabilize the market amount to less than 25  
5 percent of the energy requirements of the electrical corporations,  
6 and those long-term contracts begin terminating in 2005; and

7 WHEREAS, It is apparent the long-term contracts could not  
8 have anticipated purchasing power for these few cities adding  
9 newly developed areas, because over 75 percent of the electrical  
10 corporations' energy needs are procured elsewhere; and

11 WHEREAS, The handful of new municipal utilities will serve  
12 a miniscule portion of the state's power load; and

13 WHEREAS, The burden of the exit fees and cost recovery  
14 surcharges would be an unreasonable imposition on cities that  
15 expended tremendous amounts of staff resources and finances on  
16 creating a municipal utility without any reasonable expectation  
17 that they would be subject to those fees; and

18 WHEREAS, The ability of the Public Utilities Commission to  
19 regulate municipal utilities is limited by the California  
20 Constitution; now, therefore, be it

21 *Resolved by the Senate of the State of California, the Assembly*  
22 *thereof concurring*, That the Public Utilities Commission, in  
23 enacting regulations, shall exempt any municipal utility serving  
24 customers in newly developed areas from any exit fees, as long as  
25 the municipal utility was formed before June 1, 2003, and  
26 demonstrates that it has expended in good faith significant  
27 amounts of money and resources toward the creation of a  
28 municipal utility serving customers in newly developed areas; and  
29 be it further

30 *Resolved*, That the Secretary of the Senate transmit copies of  
31 this resolution to the author for appropriate distribution.  
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